

110TH CONGRESS  
1ST SESSION

# H. R. 2652

To amend the Internal Revenue Code of 1986 to generate renewable energy and encourage novel technologies related to the production of energy, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 11, 2007

Mr. ENGLISH of Pennsylvania introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to generate renewable energy and encourage novel technologies related to the production of energy, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE, ETC.**

4       (a) SHORT TITLE.—This Act may be cited as the  
5       “Generating Renewable Energy and Encouraging Novel  
6       Technologies Act of 2007”.

7       (b) AMENDMENT OF 1986 CODE.—Except as other-  
8       wise expressly provided, whenever in this Act an amend-  
9       ment or repeal is expressed in terms of an amendment

1 to, or repeal of, a section or other provision, the reference  
 2 shall be considered to be made to a section or other provi-  
 3 sion of the Internal Revenue Code of 1986.

4 (c) TABLE OF CONTENTS.—The table of contents for  
 5 this Act is as follows:

Sec. 1. Short title, etc.

#### TITLE I—INVESTMENT INCENTIVES

Sec. 101. Expensing for certain energy property.

Sec. 102. Modifications relating to clean renewable energy bonds.

Sec. 103. Extension and modification of investment tax credit with respect to  
solar energy property and qualified fuel cell property.

Sec. 104. Extension and modification of credit for residential energy efficient  
property.

Sec. 105. 15-year recovery period for property used in the transmission or dis-  
tribution of electricity for sale.

#### TITLE II—PRODUCTION INCENTIVES

Sec. 201. Extension of production credit for wind, solar, and geothermal.

Sec. 202. Electricity produced from ocean energy.

#### TITLE III—INCENTIVES FOR ALTERNATIVE FUELS

Sec. 301. Technology neutral diesel credit.

Sec. 302. Extension of credit for alcohol used as fuel.

Sec. 303. Extension of credit for alternative fuels.

Sec. 304. Investment tax credit for cellulosic biomass ethanol plant property.

#### TITLE IV—INCENTIVES TO CONSERVE ENERGY

Sec. 401. Extension of nonbusiness energy property.

Sec. 402. Modifications of energy efficient appliance credit for appliances pro-  
duced after 2007.

Sec. 403. Increase and extension of energy efficient commercial buildings de-  
duction.

#### TITLE V—CREDIT FOR OIL SHALE RECOVERY COSTS

Sec. 501. Incentives for extraction and processing of oil shale.

#### TITLE VI—PROVISIONS RELATING TO ADVANCED COAL AND NUCLEAR ENERGY

Sec. 601. Alternative method for satisfying certain requirements relating to  
production of refined coal.

Sec. 602. Advanced Nuclear Power Production.

#### TITLE VII—COAL TO LIQUIDS TECHNOLOGY

Sec. 701. Credit for investment in coal-to-liquid fuels projects.

Sec. 702. Temporary expensing for equipment used in coal-to-liquid fuels process.

Sec. 703. Extension of alternative fuel credit for fuel derived from coal through the Fischer-Tropsch process.

Sec. 704. Modifications to enhanced oil recovery credit.

Sec. 705. Allowance of enhanced oil, natural gas, and coalbed methane recovery, and capture and sequestration credit against the alternative minimum tax.

## **TITLE I—INVESTMENT INCENTIVES**

### **SEC. 101. EXPENSING FOR CERTAIN ENERGY PROPERTY.**

(a) IN GENERAL.—Part VI of subchapter B of chapter 1 of is amended by inserting after section 179E the following new section:

#### **“SEC. 179F. ELECTION TO EXPENSE CERTAIN ENERGY PROPERTY.**

“(a) TREATMENT AS EXPENSES.—A taxpayer may elect to treat the cost of any qualified energy property as an expense which is not chargeable to capital account. Any cost so treated shall be allowed as a deduction for the taxable year in which the expense is incurred.

“(b) ELECTION.—

“(1) IN GENERAL.—An election under this section for any taxable year shall be made on the taxpayer’s return of the tax imposed by this chapter for the taxable year. Such election shall be made in such manner as the Secretary may by regulations prescribe.

1           “(2) ELECTION IRREVOCABLE.—Any election  
2           made under this section may not be revoked except  
3           with the consent of the Secretary.

4           “(c) QUALIFIED ENERGY PROPERTY.—For purposes  
5 of this section—

6           “(1) The term ‘qualified energy property’  
7           means any property located in the United States—

8           “(A) which—

9                   “(i) is described in subparagraph (A)  
10                   of section 48(a)(3) (or would be so de-  
11                   scribed if ‘solar or wind energy’ were sub-  
12                   stituted for ‘solar energy’ in clause (i)  
13                   thereof and the last sentence of such sec-  
14                   tion did not apply to such subparagraph),

15                   “(ii) is described in paragraph (15) of  
16                   section 48(l) (as in effect on the day before  
17                   the date of the enactment of the Revenue  
18                   Reconciliation Act of 1990) and is a quali-  
19                   fying small power production facility within  
20                   the meaning of section 3(17)(C) of the  
21                   Federal Power Act (16 U.S.C.  
22                   796(17)(C)), as in effect on September 1,  
23                   1986,

24                   “(iii) is described in section  
25                   48(l)(3)(A)(ix) (as in effect on the day be-

1 fore the date of the enactment of the Rev-  
2 enue Reconciliation Act of 1990), or

3 “(iv) ocean energy property,

4 “(B) the original use of which commences  
5 with the taxpayer,

6 “(C) the construction of which—

7 “(i) except as provided in subpara-  
8 graph (B), is subject to a binding con-  
9 struction contract entered into after the  
10 date of the enactment of this section and  
11 before January 1, 2011, but only if there  
12 was no written binding construction con-  
13 tract entered into on or before such date of  
14 enactment, or

15 “(ii) in the case of self-constructed  
16 property, began after the date of the enact-  
17 ment of this section and before January 1,  
18 2011, and

19 “(D) which is placed in service by the tax-  
20 payer after the date of the enactment of this  
21 section and before January 1, 2016.

22 “(2) OCEAN ENERGY PROPERTY.—The term  
23 ‘ocean energy property’ means property—

1 “(A) for hydro thermal energy generation  
2 through closed-cycle, open-cycle and hybrid  
3 processes, or

4 “(B) for hydro mechanical energy genera-  
5 tion through channel systems, float systems,  
6 and oscillating water column systems.

7 “(3) SPECIAL RULE.—Nothing in any provision  
8 of law shall be construed to treat property as not  
9 being described in paragraph (1)(A)(i) (or the cor-  
10 responding provisions of prior law) by reason of  
11 being public utility property (within the meaning of  
12 section 48(a)(3)).

13 “(d) ELECTION TO ALLOCATE DEDUCTION TO COOP-  
14 ERATIVE OWNER.—If—

15 “(1) a taxpayer to which subsection (a) applies  
16 is an organization to which part I of subchapter T  
17 applies, and

18 “(2) one or more persons directly holding an  
19 ownership interest in the taxpayer are organizations  
20 to which part I of subchapter T apply,

21 the taxpayer may elect to allocate all or a portion of the  
22 deduction allowable under subsection (a) to such persons.  
23 Such allocation shall be equal to the person’s ratable share  
24 of the total amount allocated, determined on the basis of  
25 the person’s ownership interest in the taxpayer. The tax-

1 able income of the taxpayer shall not be reduced under  
2 section 1382 by reason of any amount to which the pre-  
3 ceding sentence applies.

4 “(e) BASIS REDUCTION.—

5 “(1) IN GENERAL.—For purposes of this title,  
6 if a deduction is allowed under this section with re-  
7 spect to any qualified energy property, the basis of  
8 such property shall be reduced by the amount of the  
9 deduction so allowed.

10 “(2) ORDINARY INCOME RECAPTURE.—For  
11 purposes of section 1245, the amount of the deduc-  
12 tion allowable under subsection (a) with respect to  
13 any property which is of a character subject to the  
14 allowance for depreciation shall be treated as a de-  
15 duction allowed for depreciation under section 167.

16 “(f) APPLICATION WITH OTHER DEDUCTIONS AND  
17 CREDITS.—

18 “(1) OTHER DEDUCTIONS.—No deduction shall  
19 be allowed under any other provision of this chapter  
20 with respect to any expenditure with respect to  
21 which a deduction is allowed under subsection (a) to  
22 the taxpayer.

23 “(2) CREDITS.—No credit shall be allowed  
24 under section 38 with respect to any amount for  
25 which a deduction is allowed under subsection (a).

1       “(g) REPORTING.—No deduction shall be allowed  
2 under subsection (a) to any taxpayer for any taxable year  
3 unless such taxpayer files with the Secretary a report con-  
4 taining such information with respect to the operation of  
5 the property of the taxpayer as the Secretary shall re-  
6 quire.”.

7       (b) CONFORMING AMENDMENTS.—

8           (1) Section 1016(a) is amended by striking  
9 “and” at the end of paragraph (36), by striking the  
10 period at the end of paragraph (37) and inserting “,  
11 and”, and by adding at the end the following new  
12 paragraph:

13           “(38) to the extent provided in section  
14 179F(e)(1).”.

15           (2) Section 1245(a) is amended by inserting  
16 “179F,” after “179D,” both places it appears in  
17 paragraphs (2)(C) and (3)(C).

18           (3) Section 263(a)(1) is amended by striking  
19 “or” at the end of subparagraph (J), by striking the  
20 period at the end of subparagraph (K) and inserting  
21 “, or”, and by inserting after subparagraph (K) the  
22 following new subparagraph:

23           “(L) expenditures for which a deduction is  
24 allowed under section 179F.”.



1           (4) Section 312(k)(3)(B) is amended by strik-  
 2           ing “or 179E” each place it appears in the heading  
 3           and text and inserting “179E, or 179F”.

4           (5) Section 168(e)(B) is amended by inserting  
 5           “and” after clause (iv), by striking “and” at the end  
 6           of clause (v) and inserting a period, by striking  
 7           clause (vi), and by striking the last sentence at the  
 8           end.

9           (6) The table of sections for part VI of sub-  
 10          chapter B of chapter 1 is amended by inserting after  
 11          the item relating to section 179E the following new  
 12          item:

“Sec. 179F. Election to expense certain energy property.”.

13          (c) EFFECTIVE DATE.—The amendments made by  
 14          this section shall apply to properties placed in service after  
 15          the date of the enactment of this Act.

16       **SEC. 102. MODIFICATIONS RELATING TO CLEAN RENEW-**  
 17       **ABLE ENERGY BONDS.**

18          (a) CLEAN RENEWABLE ENERGY BOND.—Paragraph  
 19          (1) of section 54(d) (defining clean renewable energy  
 20          bond) is amended—

21               (1) in subparagraph (A) by striking “pursuant”  
 22               and all that follows through “subsection (f)(2)”,

23               (2) in subparagraph (B) by striking “95 per-  
 24               cent or more of the proceeds” and inserting “90 per-  
 25               cent or more of the net proceeds”, and

1           (3) in subparagraph (D) by striking “subsection  
2           (h)” and inserting “subsection (g)”.

3           (b) QUALIFIED PROJECT.—Subparagraph (A) of sec-  
4           tion 54(d)(2) (defining qualified project) is amended to  
5           read as follows:

6                   “(A) IN GENERAL.—The term ‘qualified  
7                   project’ means any qualified facility (as deter-  
8                   mined under section 45(d) without regard to  
9                   paragraphs (8) and (10) thereof and to any  
10                  placed in service requirement) owned by a  
11                  qualified borrower and also without regard to  
12                  the following—

13                       “(i) in the case of a qualified facility  
14                       described in section 45(d)(9) (regarding in-  
15                       cremental hydropower production), any de-  
16                       termination of incremental hydropower  
17                       production and related calculations shall be  
18                       determined by the qualified borrower based  
19                       on a methodology that meets Federal En-  
20                       ergy Regulatory Commission standards;  
21                       and

22                       “(ii) in the case of a qualified facility  
23                       described in section 45(d)(9) (regarding  
24                       non-hydropower production), the facility  
25                       need not be licensed by the Federal Energy

1 Regulation Commission if the facility,  
2 when constructed, will meet Federal En-  
3 ergy Regulatory Commission licensing re-  
4 quirements and other applicable environ-  
5 mental, licensing, and regulatory require-  
6 ments.”.

7 (c) REIMBURSEMENT.—Subparagraph (C) of section  
8 54(d)(2) (relating to reimbursement) is amended to read  
9 as follows:

10 “(C) REIMBURSEMENT.—For purposes of  
11 paragraph (1)(B), proceeds of a clean renew-  
12 able energy bond may be issued to reimburse a  
13 qualified borrower for amounts paid after the  
14 date of the enactment of this section in the  
15 same manner as proceeds of State and local  
16 government obligations the interest upon which  
17 is exempt from tax under section 103.”.

18 (d) CHANGE IN USE.—Subparagraph (D) of section  
19 54(d)(2) (relating to treatment of changes in use) is  
20 amended by striking “or qualified issuer”.

21 (e) MAXIMUM TERM.—Paragraph (2) of section  
22 54(e) (relating to maximum term) is amended by striking  
23 “without regard to the requirements of subsection (1)(6)  
24 and”.

1 (f) REPEAL OF LIMITATION ON AMOUNT OF BONDS  
2 DESIGNATED.—Section 54 is amended by striking sub-  
3 section (f) (relating to repeal of limitation on amount of  
4 bonds designated).

5 (g) SPECIAL RULES RELATING TO EXPENDI-  
6 TURES.—Subsection (h) of section 54 (relating to special  
7 rules relating to expenditures) is amended—

8 (1) in paragraph (1)(A) by striking “95 percent  
9 of the proceeds” and inserting “90 percent of the  
10 net proceeds”,

11 (2) in paragraph (1)(B)—

12 (A) by striking “10 percent of the pro-  
13 ceeds” and inserting “5 percent of the net pro-  
14 ceeds”, and

15 (B) by striking “the 6-month period begin-  
16 ning on” both places it appears and inserting  
17 “1 year of”, and

18 (3) in paragraph (1)(C) by inserting “net” be-  
19 fore “proceeds”,

20 (4) in paragraph (3) by striking “95 percent of  
21 the proceeds” and inserting “90 percent of the net  
22 proceeds”.

23 (h) REPEAL OF SPECIAL RULES RELATING TO ARBI-  
24 TRAGE.—Section 54 is amended by striking subsection (i)  
25 (relating to repeal of special rules relating to arbitration).

1 (i) PUBLIC POWER ENTITY.—Subsection (j) of sec-  
2 tion 54 (defining cooperative electric company; qualified  
3 energy tax credit bond lender; governmental body; quali-  
4 fied borrower) is amended—

5 (1) by redesignating paragraphs (4) and (5) as  
6 paragraph (5) and (6) and by inserting after para-  
7 graph (3) the following new paragraph:

8 “(4) PUBLIC POWER ENTITY.—The term ‘public  
9 power entity’ means a State utility with a service ob-  
10 ligation, as such terms are defined in section 217 of  
11 the Federal Power Act (as in effect on the date of  
12 enactment of this paragraph).”,

13 (2) in paragraph (5), as so redesignated, by  
14 striking “or” at the end of subparagraph (B), by  
15 striking the period at the end of subparagraph (C)  
16 and inserting “, or”, and by adding at the end the  
17 following:

18 “(D) a public power entity.”, and

19 (3) in paragraph (6), as so redesignated, by  
20 striking “or” at the end of subparagraph (A), by  
21 striking the period at the end of subparagraph (B)  
22 and inserting “, or”, and by adding at the end the  
23 following:

24 “(C) a public power entity.”.

1       (j) REPEAL OF RATABLE PRINCIPAL AMORTIZATION  
 2 REQUIREMENT.—Subsection (l) of section 54 (relating to  
 3 other definitions and special rules) is amended by striking  
 4 paragraph (5) and redesignating paragraph (6) as para-  
 5 graph (5).

6       (k) NET PROCEEDS.—Subsection (i) of section 54  
 7 (relating to other definitions and special rules), as amend-  
 8 ed by subsection (j), is amended by redesignating para-  
 9 graphs (2), (3), (4), and (5) as paragraphs (4), (5), (6),  
 10 and (7), respectively, and by inserting after paragraph (1)  
 11 the following new paragraphs:

12               “(2) NET PROCEEDS.—The term ‘net proceeds’  
 13 means, with respect to an issue, the proceeds of such  
 14 issue reduced by amounts in a reasonably required  
 15 reserve or replacement fund.

16               “(3) LIMITATION ON AMOUNT IN RESERVE OR  
 17 REPLACEMENT FUND WHICH MAY BE FINANCED BY  
 18 ISSUE.—A bond issued as part of an issue shall not  
 19 be treated as a clean renewable energy bond if the  
 20 amount of the proceeds from the sale of such issue  
 21 which is part of any reserve or replacement fund ex-  
 22 ceeds 10 percent of the proceeds of the issue (or  
 23 such higher amount which the issuer establishes is  
 24 necessary to the satisfaction of the Secretary).”.

1       (l) OTHER SPECIAL RULES.—Subsection (i) of sec-  
2 tion 54 ((relating to other definitions and special rules),  
3 as amended by subsections (j) and (k)) is amended by add-  
4 ing at the end the following new paragraphs:

5           “(8) CREDITS MAY BE SEPARATED.—There  
6 may be a separation (including at issuance) of the  
7 ownership of a clean renewable energy bond and the  
8 entitlement to the credit under this section with re-  
9 spect to such bond. In case of any such separation,  
10 the credit under this section shall be allowed to the  
11 person who on the credit allowance date holds the  
12 instrument evidencing the entitlement to the credit  
13 and not to the holder of the bond.

14           “(9) TREATMENT FOR ESTIMATED TAX PUR-  
15 POSES.—Solely for the purposes of sections 6654  
16 and 6655, the credit allowed by this section to a tax-  
17 payer by reason of holding a qualified energy tax  
18 credit bond on a credit allowance date (or the credit  
19 in the case of a separation as provided in paragraph  
20 (8)) shall be treated as if it were a payment of esti-  
21 mated tax made by the taxpayer on such date.

22           “(10) CARRYBACK AND CARRYFORWARD OF UN-  
23 USED CREDITS.—If the sum of the credit exceeds  
24 the limitation imposed by subsection (c) for any tax-

1       able year, any credits may be applied in a manner  
2       similar to the rules set forth in section 39.”.

3       (m) TERMINATION.—Subsection (m) of section 54  
4       (relating to termination) is amended by striking “2008”  
5       and inserting “2018”.

6       (n) CLERICAL REDESIGNATIONS.—Section 54, as  
7       amended by the preceding provisions of this section, is  
8       amended by redesignating subsections (g), (h), (j), (k), (l),  
9       and (m) as subsections (f), (g), (h), (i), (j), and (k), re-  
10      spectively.

11      (o) EFFECTIVE DATE.—The amendments made by  
12      this section shall apply to obligations issued after the date  
13      of the enactment of this Act.

14      **SEC. 103. EXTENSION AND MODIFICATION OF INVESTMENT**  
15                               **TAX CREDIT WITH RESPECT TO SOLAR EN-**  
16                               **ERGY PROPERTY AND QUALIFIED FUEL CELL**  
17                               **PROPERTY.**

18      (a) SOLAR ENERGY PROPERTY.—Paragraphs  
19      (2)(A)(i)(II) and (3)(A)(ii) of section 48(a) are each  
20      amended by striking “2008” and inserting “2019”.

21      (b) ELIGIBLE FUEL CELL PROPERTY.—Paragraph  
22      (1)(E) of section 48(c) is amended by striking “2007” and  
23      inserting “2018”.



1       (c) ENERGY PROPERTY TO INCLUDE EXCESS EN-  
 2 ENERGY STORAGE DEVICE.—Clause (i) of section  
 3 48(a)(3)(A) is amended to read as follows:

4                   “(i) equipment which uses solar en-  
 5 ergy to generate electricity, to heat or cool  
 6 (or provide hot water for use in) a struc-  
 7 ture, or to provide solar process heat, or  
 8 advanced energy storage systems installed  
 9 as an integrated component of the fore-  
 10 going, excepting property used to generate  
 11 energy for purposes of heating a swimming  
 12 pool,”.

13       (d) SOLAR LIGHTING EQUIPMENT TO INCLUDE  
 14 SOLAR HYBRID LIGHTING SYSTEMS.—Clause (ii) of sec-  
 15 tion 48(a)(3)(A) is amended to read as follows:

16                   “(ii) equipment which uses solar en-  
 17 ergy to illuminate the inside of a structure  
 18 using fiber-optic distributed sunlight,”.

19       (e) MODIFICATIONS.—

20               (1) SOLAR PHOTOVOLTAIC ENERGY PROPERTY  
 21 CREDIT DETERMINED SOLELY BY KILOWATT CAPAC-  
 22 ITY.—

23                   (A) IN GENERAL.—Subsection (a) of sec-  
 24 tion 48 is amended by redesignating paragraph

1 (4) as paragraph (5) and by inserting after  
 2 paragraph (3) the following new paragraph:

3 “(4) SPECIAL RULE FOR ENERGY CREDIT FOR  
 4 SOLAR PHOTOVOLTAIC ENERGY PROPERTY.—

5 “(A) IN GENERAL.—For purposes of sec-  
 6 tion 46, the energy credit for any taxable year  
 7 for solar photovoltaic energy property described  
 8 in paragraph (3)(A)(i) which is used to gen-  
 9 erate electricity and which is placed in service  
 10 during the taxable year is \$1,500 with respect  
 11 to each half kilowatt of capacity of such prop-  
 12 erty. Paragraph (2)(A)(ii) shall not apply to  
 13 property to which the preceding sentence ap-  
 14 plies.

15 “(B) APPLICATION OF SPECIAL RULES FOR  
 16 REHABILITATED OR SUBSIDIZED PROPERTY.—  
 17 Rules similar to the rules of paragraphs (2)(B)  
 18 and (5) shall apply to property to which this  
 19 paragraph applies.”.

20 (B) CONFORMING AMENDMENT.—Sub-  
 21 clause (II) of section 48(a)(2)(A)(i) is amended  
 22 by striking “described in paragraph (3)(A)(i)”  
 23 and inserting “which is described in paragraph  
 24 (3)(A)(i) and to which paragraph (4) does not  
 25 apply”.

1 (f) CREDITS ALLOWED AGAINST THE ALTERNATIVE  
 2 MINIMUM TAX.—Section 38(c)(4)(B) (defining specified  
 3 credits) is amended by striking the period at the end of  
 4 clause (ii)(II) and inserting “, and”, and by adding at the  
 5 end the following new clause:

6 “(iii) the portion of the investment  
 7 credit under section 46(2) as determined  
 8 under clauses (i) and (ii) of section  
 9 48(a)(2)(A).”.

10 (g) EFFECTIVE DATES.—

11 (1) Except as provided in paragraph (2), the  
 12 amendments made by this section shall take effect  
 13 on January 1, 2007.

14 (2) The amendments made by subsection (c)  
 15 shall apply to property placed in service after De-  
 16 cember 31, 2006.

17 **SEC. 104. EXTENSION AND MODIFICATION OF CREDIT FOR**  
 18 **RESIDENTIAL ENERGY EFFICIENT PROP-**  
 19 **ERTY.**

20 (a) EXTENSION.—Subsection (g) of section 25D of  
 21 the Internal Revenue Code of 1986 (relating to termi-  
 22 nation) is amended by striking “2008” and inserting  
 23 “2016”.

1 (b) SOLAR ELECTRIC PROPERTY.—Paragraph (1) of  
2 section 25D(a) of such Code (relating to allowance of cred-  
3 it) is amended by striking “30 percent of”.

4 (c) MODIFICATION OF MAXIMUM CREDIT.—Para-  
5 graph (1) of section 25D(b) of the Internal Revenue Code  
6 of 1986 (relating to limitations) is amended to read as  
7 follows:

8 “(1) MAXIMUM CREDIT.—The credit allowed  
9 under subsection (a) for any taxable year shall not  
10 exceed—

11 “(A) \$1,500 with respect to each half kilo-  
12 watt of installed capacity of qualified solar elec-  
13 tric property for which qualified solar electric  
14 property expenditures are made,

15 “(B) \$2,000 with respect to any qualified  
16 solar water heating property expenditures, and

17 “(C) \$500 with respect to each half kilo-  
18 watt of capacity of qualified fuel cell property  
19 (as defined in section 48(c)(1)) for which quali-  
20 fied fuel cell property expenditures are made.”.

21 (d) DEFINITION OF QUALIFIED SOLAR WATER  
22 HEATING PROPERTY EXPENDITURE.—Paragraph (1) of  
23 section 25D(d) of such Code is amended by striking “to  
24 heat water for use in” and inserting “to heat or cool (or  
25 provide hot water for use in)”.

1 (e) DEFINITION OF QUALIFIED PHOTOVOLTAIC  
 2 PROPERTY EXPENDITURE.—Paragraph (2) of section  
 3 25D(d) of such Code is amended by inserting “, including  
 4 advanced energy storage systems installed as an inte-  
 5 grated component of the foregoing” after “taxpayer”.

6 (f) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-  
 7 IMUM TAX.—

8 (1) IN GENERAL.—Section 25D(b) of the Inter-  
 9 nal Revenue Code of 1986 (as amended by sub-  
 10 section (b)) is amended by adding at the end the fol-  
 11 lowing new paragraph:

12 “(3) CREDIT ALLOWED AGAINST ALTERNATIVE  
 13 MINIMUM TAX.—The credit allowed under subsection  
 14 (a) for the taxable year shall not exceed the excess  
 15 of—

16 “(A) the sum of the regular tax liability  
 17 (as defined in section 26(b)) plus the tax im-  
 18 posed by section 55, over

19 “(B) the sum of the credits allowable  
 20 under subpart A of part IV of subchapter A  
 21 (other than this section) and section 27 for the  
 22 taxable year.”.

23 (2) CONFORMING AMENDMENTS.—

24 (A) Subsection (c) of section 25D of such  
 25 Code is amended to read as follows:

1       “(c) CARRYFORWARD OF UNUSED CREDIT.—If the  
 2 credit allowable under subsection (a) for any taxable year  
 3 exceeds the limitation imposed by subsection (b)(3) for  
 4 such taxable year, such excess shall be carried to the suc-  
 5 ceeding taxable year and added to the credit allowable  
 6 under subsection (a) for such succeeding taxable year.”.

7               (B) Section 23(b)(4)(B) of such Code is  
 8 amended by inserting “and section 25D” after  
 9 “this section”.

10              (C) Section 24(b)(3)(B) of such Code is  
 11 amended by striking “sections 23 and 25B”  
 12 and inserting “sections 23, 25B, and 25D”.

13              (D) Section 26(a)(1) of such Code is  
 14 amended by striking “and 25B” and inserting  
 15 “25B, and 25D”.

16       (g) EFFECTIVE DATE.—The amendments made by  
 17 this section shall apply to expenditures made in taxable  
 18 years beginning after December 31, 2006.

19 **SEC. 105. 15-YEAR RECOVERY PERIOD FOR PROPERTY**  
 20 **USED IN THE TRANSMISSION OR DISTRIBUTION OF ELECTRICITY FOR SALE.**  
 21

22       (a) IN GENERAL.—Subparagraph (E) of section  
 23 168(e)(3) is amended by striking clause (vii), by redesign-  
 24 nating clause (viii) as clause (ix), and by inserting after  
 25 clause (vi) the following new clauses:

“(vii) any section 1245 property (as defined in section 1245(a)(3))—

“(I) used in the transmission at 69 or more kilovolts of electricity for sale and the original use of which commences with the taxpayer after April 11, 2005, or

“(II) used in the transmission or distribution of electricity for sale and which is originally placed in service after the date of the enactment of this subclause,

“(viii) initial clearing and grading land improvements with respect to any electric utility transmission and distribution plant, and”.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (3) of section 168(e) is amended by striking subparagraph (F).

(2) The table contained in section 168(g)(3)(B) is amended by striking the items relating to subparagraphs (E)(viii) and (F) and inserting the following new items:

“(E)(viii) .....	25
“(E)(ix) .....	35”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to property placed in service after  
3 the date of the enactment of this Act.

## 4 **TITLE II—PRODUCTION** 5 **INCENTIVES**

### 6 **SEC. 201. EXTENSION OF PRODUCTION CREDIT FOR WIND,** 7 **SOLAR, AND GEOTHERMAL.**

8 Subsection (d) of section 45 is amended—

9 (1) in paragraph (1) by striking “January 1,  
10 2009” and inserting “January 1, 2018”, and

11 (2) in paragraph (4) by striking “January 1,  
12 2009 (January 1, 2006, in the case of a facility  
13 using solar energy)” and inserting “January 1,  
14 2018”.

### 15 **SEC. 202. ELECTRICITY PRODUCED FROM OCEAN ENERGY.**

16 (a) IN GENERAL.—Section 45(c)(1) (defining quali-  
17 fied energy resources) is amended by striking “and” at  
18 the end of subparagraph (G), by striking the period at  
19 the end of subparagraph (H) and inserting “, and”, and  
20 by adding at the end the following new subparagraph:

21 “(I) ocean energy.”.

22 (b) DEFINITION OF RESOURCES.—Section 45(c) is  
23 amended by adding at the end the following new para-  
24 graph:



1           “(10) OCEAN ENERGY.—The term ‘ocean en-  
2           ergy’ means energy derived—

3                   “(A) in the case of ocean thermal energy,  
4                   generation through closed-cycle, open-cycle and  
5                   hybrid processes, and

6                   “(B) in the case of ocean mechanical en-  
7                   ergy, generation through channel systems, float  
8                   systems, and oscillating water column sys-  
9                   tems.”.

10          (c) FACILITIES.—Section 45(d) is amended by add-  
11          ing at the end the following new paragraph:

12                   “(11) OCEAN ENERGY FACILITY.—In the case  
13                   of a facility using ocean energy to produce elec-  
14                   tricity, the term ‘qualified facility’ means any facility  
15                   owned by the taxpayer which is originally placed in  
16                   service after the date of the enactment of this para-  
17                   graph and before January 1, 2018.”.

18          (d) CREDIT RATE.—

19                   (1) IN GENERAL.—Section 45(b) is amended by  
20                   adding at the end the following new paragraph:

21                   “(5) CREDIT RATE FOR ELECTRICITY PRO-  
22                   DUCED AND SOLD FROM OCEAN ENERGY FACIL-  
23                   ITY.—In the case of electricity produced and sold in  
24                   any calendar year after the date of the enactment of

1       this paragraph at any qualified facility described in  
2       subsection (d)(11)—

3               “(A) subsection (a)(1) shall be applied for  
4               such calendar year by substituting ‘1.9 cents’  
5               for ‘1.5 cents’, and

6               “(B) paragraph (2) shall be applied by  
7               substituting ‘2005’ for ‘2002’.”.

8               (2) ADJUSTMENT FOR INFLATION.—Section  
9       45(b)(2) is amended by inserting “the 1.9 cent  
10       amount in paragraph (5)”.

11       (e) EFFECTIVE DATE.—The amendments made by  
12       this section shall apply to electricity produced after the  
13       date of the enactment of this Act.

## 14       **TITLE III—INCENTIVES FOR** 15       **ALTERNATIVE FUELS**

### 16       **SEC. 301. TECHNOLOGY NEUTRAL DIESEL CREDIT.**

17       (a) IN GENERAL.—Section 40A is amended to read  
18       as follows:

#### 19       **“SEC. 40A. QUALIFIED DIESEL USED AS FUEL.**

20               “(a) GENERAL RULE.—For purposes of section 38,  
21       the qualified diesel fuels credit determined under this sec-  
22       tion for the taxable year is an amount equal to the sum  
23       of—

24               “(1) the qualified diesel mixture credit, plus

25               “(2) the qualified diesel credit.

1       “(b) DEFINITION OF QUALIFIED DIESEL MIXTURE  
2 CREDIT AND QUALIFIED DIESEL CREDIT.—For purposes  
3 of this section—

4               “(1) QUALIFIED DIESEL MIXTURE CREDIT.—

5                       “(A) IN GENERAL.—The qualified diesel  
6 mixture credit of any taxpayer for any taxable  
7 year is \$1.00 for each gallon of biodiesel used  
8 by the taxpayer in the production of a qualified  
9 biodiesel mixture.

10                      “(B) QUALIFIED DIESEL MIXTURE.—The  
11 term ‘qualified biodiesel mixture’ means a mix-  
12 ture of qualified diesel and diesel fuel (as de-  
13 fined in section 4083(a)(3)), determined with-  
14 out regard to any use of kerosene, which—

15                               “(i) is sold by the taxpayer producing  
16 such mixture to any person for use as a  
17 fuel, or

18                               “(ii) is used as a fuel by the taxpayer  
19 producing such mixture.

20                      “(C) SALE OR USE MUST BE IN TRADE OR  
21 BUSINESS, ETC.—Biodiesel used in the produc-  
22 tion of a qualified diesel mixture shall be taken  
23 into account—

1 “(i) only if the sale or use described  
2 in subparagraph (B) is in a trade or busi-  
3 ness of the taxpayer, and

4 “(ii) for the taxable year in which  
5 such sale or use occurs.

6 “(D) CASUAL OFF-FARM PRODUCTION NOT  
7 ELIGIBLE.—No credit shall be allowed under  
8 this section with respect to any casual off-farm  
9 production of a qualified diesel mixture.

10 “(2) BIODIESEL CREDIT.—

11 “(A) IN GENERAL.—The diesel credit of  
12 any taxpayer for any taxable year is \$1.00 for  
13 each gallon of diesel which is not in a mixture  
14 with diesel fuel and which during the taxable  
15 year—

16 “(i) is used by the taxpayer as a fuel  
17 in a trade or business, or

18 “(ii) is sold by the taxpayer at retail  
19 to a person and placed in the fuel tank of  
20 such person’s vehicle.

21 “(B) USER CREDIT NOT TO APPLY TO DIE-  
22 SEL SOLD AT RETAIL.—No credit shall be al-  
23 lowed under subparagraph (A)(i) with respect  
24 to any diesel which was sold in a retail sale de-  
25 scribed in subparagraph (A)(ii).

1           “(3) CERTIFICATION FOR DIESEL.—No credit  
2       shall be allowed under paragraph (1) or (2) of sub-  
3       section (a) unless the taxpayer obtains a certification  
4       (in such form and manner as prescribed by the Sec-  
5       retary) from the producer or importer of the bio-  
6       diesel which identifies the product produced and the  
7       percentage of biodiesel and agri-biodiesel in the  
8       product.

9           “(4) SMALL QUALIFIED DIESEL PRODUCER  
10       CREDIT.—

11           “(A) IN GENERAL.—The small qualified  
12       diesel producer credit of any eligible small  
13       qualified diesel producer for any taxable year is  
14       10 cents for each gallon of qualified diesel pro-  
15       duction of such producer.

16           “(B) QUALIFIED DIESEL PRODUCTION.—  
17       For purposes of this paragraph, the term  
18       ‘qualified agri-biodiesel production’ means any  
19       qualified diesel which is produced by an eligible  
20       small qualified diesel producer, and which dur-  
21       ing the taxable year—

22           “(i) is sold by such producer to an-  
23       other person—

24           “(I) for use by such other person  
25       in the production of a qualified diesel

1 mixture in such other person's trade  
2 or business (other than casual off-  
3 farm production),

4 “(II) for use by such other per-  
5 son as a fuel in a trade or business,  
6 or

7 “(III) who sells such qualified  
8 diesel at retail to another person and  
9 places such qualified diesel in the fuel  
10 tank of such other person, or

11 “(ii) is used or sold by such producer  
12 for any purpose described in clause (i).

13 “(C) LIMITATION.—The qualified diesel  
14 production of any producer for any taxable year  
15 shall not exceed 15,000,000 gallons.

16 “(c) COORDINATION WITH CREDIT AGAINST EXCISE  
17 TAX.—The amount of the credit determined under this  
18 section with respect to any biodiesel shall be properly re-  
19 duced to take into account any benefit provided with re-  
20 spect to such biodiesel solely by reason of the application  
21 of section 6426 or 6427(e).

22 “(d) DEFINITIONS AND SPECIAL RULES.—For pur-  
23 poses of this section—

24 “(1) QUALIFIED DIESEL.—

1           “(A) IN GENERAL.—The term ‘qualified  
2           diesel’ means any diesel made from a renewable  
3           source, as certified by the Secretary of Energy.

4           “(B) PROCEDURE FOR CERTIFICATION.—  
5           For purposes of subparagraph (A), not later  
6           than 90 days after the date on which a request  
7           for certification is submitted to the Secretary of  
8           Energy (in accordance with regulations promul-  
9           gated by the Secretary of Energy), the Sec-  
10          retary of Energy shall make a determination on  
11          such request.

12          “(C) TRANSITIONAL RULE.—Any diesel  
13          product eligible for the credit under this section  
14          on the day before the date of the enactment of  
15          the Generating Renewable Energy and Encour-  
16          aging Novel Technologies Act of 2007 shall be  
17          deemed to be qualified diesel for purposes of  
18          this section after such date.

19          “(2) MIXTURE OR BIODIESEL NOT USED AS A  
20          FUEL, ETC.—

21                 “(A) MIXTURES.—If—

22                         “(i) any credit was determined under  
23                         this section with respect to diesel used in  
24                         the production of any qualified diesel mix-  
25                         ture, and

1 “(ii) any person—

2 “(I) separates the biodiesel from  
3 the mixture, or

4 “(II) without separation, uses the  
5 mixture other than as a fuel,

6 then there is hereby imposed on such per-  
7 son a tax equal to the product of the rate  
8 applicable under subsection (b)(1)(A) and  
9 the number of gallons of such diesel in  
10 such mixture.

11 “(B) DIESEL.—If—

12 “(i) any credit was determined under  
13 this section with respect to the retail sale  
14 of any diesel, and

15 “(ii) any person mixes such diesel or  
16 uses such diesel other than as a fuel,

17 then there is hereby imposed on such person a  
18 tax equal to the product of the rate applicable  
19 under subsection (b)(2)(A) and the number of  
20 gallons of such diesel.

21 “(C) PRODUCER CREDIT.—If—

22 “(i) any credit was determined under  
23 subsection (a)(3), and



1                   “(ii) any person does not use such  
2                   fuel for a purpose described in subsection  
3                   (b)(5)(B),  
4                   then there is hereby imposed on such person a  
5                   tax equal to 10 cents a gallon for each gallon  
6                   of such diesel.

7                   “(D) APPLICABLE LAWS.—All provisions  
8                   of law, including penalties, shall, insofar as ap-  
9                   plicable and not inconsistent with this section,  
10                  apply in respect of any tax imposed under sub-  
11                  paragraph (A) or (B) as if such tax were im-  
12                  posed by section 4081 and not by this chapter.

13                  “(3) PASS-THRU IN THE CASE OF ESTATES AND  
14                  TRUSTS.—Under regulations prescribed by the Sec-  
15                  retary, rules similar to the rules of subsection (d) of  
16                  section 52 shall apply.

17                  “(e) DEFINITIONS AND SPECIAL RULES FOR SMALL  
18                  QUALIFIED DIESEL PRODUCER CREDIT.—For purposes  
19                  of this section—

20                  “(1) ELIGIBLE SMALL QUALIFIED DIESEL PRO-  
21                  DUCER.—The term ‘eligible small qualified diesel  
22                  producer’ means a person who, at all times during  
23                  the taxable year, has a productive capacity for quali-  
24                  fied diesel not in excess of 60,000,000 gallons.

1           “(2) AGGREGATION RULE.—For purposes of  
2           the 15,000,000 gallon limitation under subsection  
3           (b)(5)(C) and the 60,000,000 gallon limitation  
4           under paragraph (1), all members of the same con-  
5           trolled group of corporations (within the meaning of  
6           section 267(f)) and all persons under common con-  
7           trol (within the meaning of section 52(b) but deter-  
8           mined by treating an interest of more than 50 per-  
9           cent as a controlling interest) shall be treated as 1  
10          person.

11          “(3) PARTNERSHIP, S CORPORATION, AND  
12          OTHER PASS-THRU ENTITIES.—In the case of a  
13          partnership, trust, S corporation, or other pass-thru  
14          entity, the limitations contained in subsection  
15          (b)(5)(C) and paragraph (1) shall be applied at the  
16          entity level and at the partner or similar level.

17          “(4) ALLOCATION.—For purposes of this sub-  
18          section, in the case of a facility in which more than  
19          1 person has an interest, productive capacity shall  
20          be allocated among such persons in such manner as  
21          the Secretary may prescribe.

22          “(5) REGULATIONS.—The Secretary may pre-  
23          scribe such regulations as may be necessary—

24                 “(A) to prevent the credit provided for in  
25                 subsection (a)(3) from directly or indirectly

benefitting any person with a direct or indirect productive capacity of more than 60,000,000 gallons of agri-biodiesel during the taxable year, or

“(B) to prevent any person from directly or indirectly benefitting with respect to more than 15,000,000 gallons during the taxable year.

“(6) ALLOCATION OF SMALL QUALIFIED DIESEL CREDIT TO PATRONS OF COOPERATIVE.—

“(A) ELECTION TO ALLOCATE.—

“(i) IN GENERAL.—In the case of a cooperative organization described in section 1381(a), any portion of the credit determined under subsection (a)(3) for the taxable year may, at the election of the organization, be apportioned pro rata among patrons of the organization on the basis of the quantity or value of business done with or for such patrons for the taxable year.

“(ii) FORM AND EFFECT OF ELECTION.—An election under clause (i) for any taxable year shall be made on a timely filed return for such year. Such election, once made, shall be irrevocable for such

1 taxable year. Such election shall not take  
2 effect unless the organization designates  
3 the apportionment as such in a written no-  
4 tice mailed to its patrons during the pay-  
5 ment period described in section 1382(d).

6 “(B) TREATMENT OF ORGANIZATIONS AND  
7 PATRONS.—

8 “(i) ORGANIZATIONS.—The amount of  
9 the credit not apportioned to patrons pur-  
10 suant to subparagraph (A) shall be in-  
11 cluded in the amount determined under  
12 subsection (a)(3) for the taxable year of  
13 the organization.

14 “(ii) PATRONS.—The amount of the  
15 credit apportioned to patrons pursuant to  
16 subparagraph (A) shall be included in the  
17 amount determined under such subsection  
18 for the first taxable year of each patron  
19 ending on or after the last day of the pay-  
20 ment period (as defined in section  
21 1382(d)) for the taxable year of the orga-  
22 nization or, if earlier, for the taxable year  
23 of each patron ending on or after the date  
24 on which the patron receives notice from  
25 the cooperative of the apportionment.

1                   “(iii) SPECIAL RULES FOR DECREASE  
 2                   IN CREDITS FOR TAXABLE YEAR.—If the  
 3                   amount of the credit of the organization  
 4                   determined under such subsection for a  
 5                   taxable year is less than the amount of  
 6                   such credit shown on the return of the or-  
 7                   ganization for such year, an amount equal  
 8                   to the excess of—

9                   “(I) such reduction, over  
 10                  “(II) the amount not apportioned  
 11                  to such patrons under subparagraph  
 12                  (A) for the taxable year,  
 13                  shall be treated as an increase in tax im-  
 14                  posed by this chapter on the organization.  
 15                  Such increase shall not be treated as tax  
 16                  imposed by this chapter for purposes of de-  
 17                  termining the amount of any credit under  
 18                  this chapter or for purposes of section 55.

19           “(f) TERMINATION.—This section shall not apply to  
 20 any sale or use after December 31, 2018.”.

21           (b) CLERICAL AMENDMENT.—The item relating to  
 22 section 40A in the table of sections for subpart D of part  
 23 IV of subchapter A of chapter 1 is amended to read as  
 24 follows:

“Sec. 40A. Qualified diesel used as fuel.”.

1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to fuel produced after the date of  
3 the enactment of this Act.

4 **SEC. 302. EXTENSION OF CREDIT FOR ALCOHOL USED AS**  
5 **FUEL.**

6       (a) INCOME TAX CREDIT.—Paragraph (1) of section  
7 40(e) is amended—

8           (1) in subparagraph (A) by striking “December  
9 31, 2010” and inserting “December 31, 2018”, and  
10          (2) in subparagraph (B) by striking “January  
11 1, 2011” and inserting “January 1, 2019”.

12       (b) EXCISE TAX CREDIT.—Section 6426(b)(5) is  
13 amended by striking “December 31, 2010” and inserting  
14 “December 31, 2018”.

15       (c) FUELS NOT USED FOR TAXABLE PURPOSES.—  
16 Section 6427(e)(5)(A) is amended by striking “December  
17 31, 2010” and inserting “December 31, 2018”.

18 **SEC. 303. EXTENSION OF CREDIT FOR ALTERNATIVE**  
19 **FUELS.**

20       (a) ALTERNATIVE FUEL.—Paragraph (4) of section  
21 6426(d) is amended to read as follows:

22           “(4) TERMINATION.—This subsection shall not  
23 apply to any sale or use for any period after Decem-  
24 ber 31, 2018.”.

1 (b) ALTERNATIVE FUEL MIXTURE.—Paragraph (3)  
 2 of section 6426(e) is amended to read as follows:

3 “(3) TERMINATION.—This subsection shall not  
 4 apply to any sale or use for any period after Decem-  
 5 ber 31, 2018.”.

6 (c) FUELS NOT USED FOR TAXABLE PURPOSES.—  
 7 Section 6427(e)(5)(C) is amended by striking “September  
 8 30, 2009” and inserting “December 31, 2018”.

9 **SEC. 304. INVESTMENT TAX CREDIT FOR CELLULOSIC BIO-**  
 10 **MASS ETHANOL PLANT PROPERTY.**

11 (a) ALLOWANCE OF CREDIT.—Subpart E of part IV  
 12 of subchapter A of chapter 1 is amended by inserting after  
 13 section 48B the following new section:

14 **“SEC. 48C. CELLULOSIC BIOMASS ETHANOL PLANT FACIL-**  
 15 **ITY.**

16 “(a) GENERAL RULE.—For purposes of section 46,  
 17 the cellulosic biomass ethanol plant credit for any taxable  
 18 year is 30 percent of the cost of any qualified cellulosic  
 19 biomass ethanol plant property.

20 “(b) QUALIFIED CELLULOSIC BIOMASS ETHANOL  
 21 PLANT PROPERTY.—The term ‘qualified cellulosic bio-  
 22 mass ethanol plant property’ means property of a char-  
 23 acter subject to the allowance for depreciation—

24 “(1) which is used in the United States solely  
 25 to produce cellulosic biomass ethanol,

1           “(2) the original use of which commences with  
2           the taxpayer after the date of the enactment of this  
3           section,

4           “(3) which is acquired by the taxpayer by pur-  
5           chase (as defined in section 179(d)) after the date  
6           of the enactment of this subsection, but only if no  
7           written binding contract for the acquisition was in  
8           effect on or before the date of the enactment of this  
9           subsection, and

10           “(4) which is placed in service by the taxpayer  
11           before January 1, 2019.

12           “(c) CELLULOSIC BIOMASS ETHANOL.—For pur-  
13           poses of this section, the term ‘cellulosic biomass ethanol’  
14           means ethanol produced from any lignocellulosic or  
15           hemicellulosic matter that is available on a renewable or  
16           recurring basis.

17           “(d) SPECIAL RULE FOR CERTAIN SUBSIDIZED  
18           PROPERTY.—For purposes of this section, rules similar to  
19           the rules of section 48(a)(4) shall apply.

20           “(e) DENIAL OF DOUBLE BENEFIT.—A deduction or  
21           credit shall not be allowed under any other provision of  
22           this chapter for the cost taken into account under sub-  
23           section (a).”.

24           (b) CREDIT TREATED AS PART OF INVESTMENT  
25           CREDIT.—Section 46 is amended by striking “and” at the



1 end of paragraph (3), by striking the period at the end  
 2 of paragraph (4) and inserting “, and”, and by adding  
 3 at the end the following new paragraph:

4 “(5) the cellulosic biomass ethanol plant cred-  
 5 it.”.

6 (c) CONFORMING AMENDMENTS.—

7 (1) Section 49(a)(1)(C) is amended by striking  
 8 “and” at the end of clause (iii), by striking the pe-  
 9 riod at the end of clause (iv) and inserting “, and”,  
 10 and by adding at the end the following new clause:

11 “(v) the basis of any qualified cel-  
 12 lulosic biomass ethanol plant property.”.

13 (2) Section 168 is amended by striking sub-  
 14 section (l).

15 (3) The table of sections for subpart E of part  
 16 IV of subchapter A of chapter 1 of such Code is  
 17 amended by inserting after the item relating to sec-  
 18 tion 48B the following new item:

“Sec. 48C. Cellulosic biomass ethanol plant facility.”.

## 19 **TITLE IV—INCENTIVES TO** 20 **CONSERVE ENERGY**

### 21 **SEC. 401. EXTENSION OF NONBUSINESS ENERGY PROP-** 22 **ERTY.**

23 Subsection (g) of section 25C is amended by striking  
 24 “December 31, 2007” and inserting “December 31,  
 25 2018”.

1 **SEC. 402. MODIFICATIONS OF ENERGY EFFICIENT APPLI-**  
2 **ANCE CREDIT FOR APPLIANCES PRODUCED**  
3 **AFTER 2007.**

4 (a) IN GENERAL.—Subsection (b) of section 45M (re-  
5 lating to applicable amount) is amended to read as follows:

6 “(b) APPLICABLE AMOUNT.—For purposes of sub-  
7 section (a)—

8 “(1) DISHWASHERS.—The applicable amount  
9 is—

10 “(A) \$45 in the case of a dishwasher which  
11 is manufactured in calendar year 2008 or 2009  
12 and which uses no more than 324 kilowatt  
13 hours per year and 5.8 gallons per cycle, and

14 “(B) \$75 in the case of a dishwasher  
15 which is manufactured in calendar year 2008,  
16 2009, or 2010 and which uses no more than  
17 307 kilowatt hours per year and 5.0 gallons per  
18 cycle (5.5 gallons per cycle for dishwashers de-  
19 signed for greater than 12 place settings).

20 “(2) CLOTHES WASHERS.—The applicable  
21 amount is—

22 “(A) \$75 in the case of a residential top-  
23 loading clothes washer manufactured in cal-  
24 endar year 2008 which meets or exceeds a 1.72  
25 modified energy factor and does not exceed a  
26 8.0 water consumption factor,

1           “(B) \$125 in the case of a residential top-  
2           loading clothes washer manufactured in cal-  
3           endar year 2008 or 2009 which meets or ex-  
4           ceeds a 1.8 modified energy factor and does not  
5           exceed a 7.5 water consumption factor,

6           “(C) \$150 in the case of a residential or  
7           commercial clothes washer manufactured in cal-  
8           endar year 2008, 2009 or 2010 which meets or  
9           exceeds 2.0 modified energy factor and does not  
10          exceed a 6.0 water consumption factor, and

11          “(D) \$250 in the case of a residential or  
12          commercial clothes washer manufactured in cal-  
13          endar year 2008, 2009, or 2010 which meets or  
14          exceeds 2.2 modified energy factor and does not  
15          exceed a 4.5 water consumption factor.

16          “(3) REFRIGERATORS.—The applicable amount  
17          is—

18               “(A) \$50 in the case of a refrigerator  
19               which is manufactured in calendar year 2008,  
20               and consumes at least 20 percent but not more  
21               than 22.9 percent less kilowatt hours per year  
22               than the 2001 energy conservation standards,

23               “(B) \$75 in the case of a refrigerator  
24               which is manufactured in calendar year 2008 or  
25               2009, and consumes at least 23 percent but no

1 more than 24.9 percent less kilowatt hours per  
2 year than the 2001 energy conservation stand-  
3 ards,

4 “(C) \$100 in the case of a refrigerator  
5 which is manufactured in calendar year 2008,  
6 2009 or 2010, and consumes at least 25 per-  
7 cent but not more than 29.9 percent less kilo-  
8 watt hours per year than the 2001 energy con-  
9 servation standards, and

10 “(D) \$200 in the case of a refrigerator  
11 manufactured in calendar year 2008, 2009 or  
12 2010 and which consumes at least 30 percent  
13 less energy than the 2001 energy conservation  
14 standards.

15 “(4) DEHUMIDIFIERS.—The applicable amount  
16 is—

17 “(A) \$15 in the case of a dehumidifier  
18 manufactured in calendar year 2008 that has a  
19 capacity less than or equal to 45 pints per day  
20 and is 7.5 percent more efficient than the appli-  
21 cable Department of Energy energy conserva-  
22 tion standard effective October 2012, and

23 “(B) \$25 in the case of a dehumidifier  
24 manufactured in calendar year 2008 that has a  
25 capacity greater than 45 pints per day and is

1           7.5 percent more efficient than the applicable  
 2           Department of Energy energy conservation  
 3           standard effective October 2012.”.

4           (b) ELIGIBLE PRODUCTION.—

5           (1) SIMILAR TREATMENT FOR ALL APPLI-  
 6           ANCES.—Subsection (c) of section 45M (relating to  
 7           eligible production) is amended—

8                   (A) by striking paragraph (2),

9                   (B) by striking “(1) IN GENERAL” and all  
 10           that follows through “the eligible” and inserting  
 11           “The eligible”, and

12                   (C) by moving the text of such subsection  
 13           in line with the subsection heading and redesign-  
 14           nating subparagraphs (A) and (B) as para-  
 15           graphs (1) and (2), respectively.

16           (2) MODIFICATION OF BASE PERIOD.—Para-  
 17           graph (2) of section 45M(c), as amended by para-  
 18           graph (1) of this section, is amended by striking “3-  
 19           calendar year” and inserting “2-calendar year”.

20           (c) TYPES OF ENERGY EFFICIENT APPLIANCES.—

21           Subsection (d) of section 45M (defining types of energy  
 22           efficient appliances) is amended to read as follows:

23           “(d) TYPES OF ENERGY EFFICIENT APPLIANCE.—

24           For purposes of this section, the types of energy efficient  
 25           appliances are—

1 “(1) dishwashers described in subsection (b)(1),

2 “(2) clothes washers described in subsection

3 (b)(2),

4 “(3) refrigerators described in subsection

5 (b)(3), and

6 “(4) dehumidifiers described in subsection

7 (b)(4).”.

8 (d) AGGREGATE CREDIT AMOUNT ALLOWED.—

9 (1) INCREASE IN LIMIT.—Paragraph (1) of sec-  
10 tion 45M(e) (relating to aggregate credit amount al-  
11 lowed) is amended to read as follows:

12 “(1) AGGREGATE CREDIT AMOUNT ALLOWED.—

13 The aggregate amount of credit allowed under sub-  
14 section (a) with respect to a taxpayer for any tax-  
15 able year shall not exceed \$100,000,000 reduced by  
16 the amount of the credit allowed under subsection  
17 (a) to the taxpayer (or any predecessor) for all prior  
18 taxable years beginning after December 31, 2007.”.

19 (2) EXCEPTION FOR CERTAIN REFRIGERATOR  
20 AND CLOTHES WASHERS.—Paragraph (2) of section  
21 45M(e) is amended to read as follows:

22 “(2) AMOUNT ALLOWED FOR CERTAIN REFRIG-  
23 ERATORS AND CLOTHES WASHERS.—Refrigerators  
24 described in subsection (b)(3)(D) and clothes wash-

1       ers described in subsection (b)(2)(D) shall not be  
2       taken into account under paragraph (1).”.

3       (e) QUALIFIED ENERGY EFFICIENT APPLIANCES.—

4           (1) IN GENERAL.—Paragraph (1) of section  
5       45M(f) (defining qualified energy efficient appliance)  
6       is amended to read as follows:

7           “(1) QUALIFIED ENERGY EFFICIENT APPLI-  
8       ANCE.—The term ‘qualified energy efficient appli-  
9       ance’ means—

10           “(A) any dishwasher described in sub-  
11       section (b)(1),

12           “(B) any clothes washer described in sub-  
13       section (b)(2),

14           “(C) any refrigerator described in sub-  
15       section (b)(3), and

16           “(D) any dehumidifier described in sub-  
17       section (b)(4).”.

18       (2) CLOTHES WASHER.—Section 45M(f)(3) (de-  
19       fining clothes washer) is amended by inserting  
20       “commercial” before “residential” the second place  
21       it appears.

22       (3) TOP-LOADING CLOTHES WASHER.—Sub-  
23       section (f) of section 45M (relating to definitions) is  
24       amended by redesignating paragraphs (4), (5), (6),  
25       and (7) as paragraphs (5), (6), (7), and (8), respec-

1       tively, and by inserting after paragraph (3) the fol-  
2       lowing new paragraph:

3           “(4) TOP-LOADING CLOTHES WASHER.—The  
4       term “top-loading clothes washer” means a clothes  
5       washer which has the clothes container compartment  
6       access located on the top of the machine and which  
7       operates on a vertical axis.”.

8           (4) DEHUMIDIFIER.—Subsection (f) of section  
9       45M, as amended by paragraph (3), is amended by  
10      redesignating paragraphs (6), (7), and (8) as para-  
11      graphs (7), (8) and (9), respectively, and by insert-  
12      ing after paragraph (5) the following new para-  
13      graph:

14           “(6) DEHUMIDIFIER.—The term ‘dehumidifier’  
15      means a self-contained, electrically operated, and  
16      mechanically refrigerated encased assembly con-  
17      sisting of—

18           “(A) a refrigerated surface that condenses  
19      moisture from the atmosphere,

20           “(B) a refrigerating system, including an  
21      electric motor,

22           “(C) an air-circulating fan, and

23           “(D) means for collecting or disposing of  
24      condensate.”.



1           (5) REPLACEMENT OF ENERGY FACTOR.—Sec-  
2           tion 45M(f)(7), as amended by paragraph (4), is  
3           amended to read as follows:

4           “(7) MODIFIED ENERGY FACTOR.—The term  
5           ‘modified energy factor’ means the modified energy  
6           factor established by the Department of Energy for  
7           compliance with the Federal energy conservation  
8           standard.”.

9           (6) GALLONS PER CYCLE; WATER CONSUMP-  
10          TION FACTOR.—Section 45M(f) (relating to defini-  
11          tions) is amended by adding at the end the fol-  
12          lowing:

13          “(10) GALLONS PER CYCLE.—The term ‘gallons  
14          per cycle’ means, with respect to a dishwasher, the  
15          amount of water, expressed in gallons, required to  
16          complete a normal cycle of a dishwasher.

17          “(11) WATER CONSUMPTION FACTOR.—The  
18          term ‘water consumption factor’ means, with respect  
19          to a clothes washer, the quotient of the total weight-  
20          ed per-cycle water consumption divided by the cubic  
21          foot (or liter) capacity of the clothes washer.”.

22          (f) EFFECTIVE DATE.—The amendments made by  
23          this section shall apply to appliances produced after De-  
24          cember 31, 2007.

1 **SEC. 403. INCREASE AND EXTENSION OF ENERGY EFFI-**  
 2 **CIENT COMMERCIAL BUILDINGS DEDUCTION.**

3 (a) INCREASE IN AMOUNT OF DEDUCTION.—Section  
 4 179D (relating to energy efficient commercial buildings  
 5 deduction) is amended—

6 (1) in subsection (b)(1)(A) by striking “\$1.80”  
 7 and inserting “\$2.25”, and

8 (2) in subsection (d)(1)(A) by striking “\$.60  
 9 for \$1.80” and inserting “\$.75 for \$2.25”.

10 (b) EXTENSION.—Subsection (h) of section 179D  
 11 (relating to termination) is amended by striking “Decem-  
 12 ber 31, 2008” and inserting “December 31, 2018”.

13 (c) EFFECTIVE DATE.—The amendments made by  
 14 this section shall apply to property placed in service in  
 15 taxable years beginning after December 31, 2006.

16 **TITLE V—CREDIT FOR OIL**  
 17 **SHALE RECOVERY COSTS**

18 **SEC. 501. INCENTIVES FOR EXTRACTION AND PROCESSING**  
 19 **OF OIL SHALE.**

20 (a) INVESTMENT TAX CREDIT FOR EXTRACTION AND  
 21 PROCESSING OF OIL SHALE USING IN-SITU CONVERSION  
 22 TECHNOLOGY.—

23 (1) IN GENERAL.—Subpart E of part IV of  
 24 subchapter A of chapter 1 is amended by inserting  
 25 after section 48C the following new section:

1   **“SEC. 48D. OIL SHALE EXTRACTION AND PROCESSING FA-**  
2                           **CILITY.**

3           “(a) GENERAL RULE.—For purposes of section 46,  
4 the oil shale extraction and processing credit for any tax-  
5 able year is 30 percent of the cost of any qualified oil shale  
6 extraction and processing property.

7           “(b) QUALIFIED OIL SHALE EXTRACTION AND  
8 PROCESSING PROPERTY.—The term ‘qualified oil shale  
9 extraction and processing property’ means property of a  
10 character subject to the allowance for depreciation—

11               “(1) which is used in the United States solely  
12 to extract and process oil shale using in-situ conver-  
13 sion technology,

14               “(2) the original use of which commences with  
15 the taxpayer after the date of the enactment of this  
16 section,

17               “(3) which is acquired by the taxpayer by pur-  
18 chase (as defined in section 179(d)) after the date  
19 of the enactment of this subsection, but only if no  
20 written binding contract for the acquisition was in  
21 effect on or before the date of the enactment of this  
22 subsection, and

23               “(4) which is placed in service by the taxpayer  
24 before January 1, 2019.

1       “(c) SPECIAL RULE FOR CERTAIN SUBSIDIZED  
2 PROPERTY.—For purposes of this section, rules similar to  
3 the rules of section 48(a)(4) shall apply.

4       “(d) DENIAL OF DOUBLE BENEFIT.—A deduction or  
5 credit shall not be allowed under any other provision of  
6 this chapter for the cost taken into account under sub-  
7 section (a).”.

8               (2) CREDIT TREATED AS PART OF INVESTMENT  
9 CREDIT.—Section 46 is amended by striking “and”  
10 at the end of paragraph (4), by striking the period  
11 at the end of paragraph (5) and inserting “, and”,  
12 and by adding at the end the following new para-  
13 graph:

14               “(6) the oil shale extraction and processing  
15 credit.”.

16               (3) CONFORMING AMENDMENTS.—

17               (A) Section 49(a)(1)(C) is amended by  
18 striking “and” at the end of clause (iv), by  
19 striking the period at the end of clause (v) and  
20 inserting “, and”, and by adding at the end the  
21 following new clause:

22               “(vi) the basis of any qualified oil  
23 shale extraction and processing property.”.

24               (B) The table of sections for subpart E of  
25 part IV of subchapter A of chapter 1 is amend-

1           ed by inserting after the item relating to section  
2           48C the following new item:

“Sec. 48D. Oil shale extraction and processing facility.”.

3           (b) **EXPENSING OIL SHALE EXTRACTION AND PROC-**  
4 **ESSING PROPERTY.**—Part VI of subchapter B of chapter  
5 1 of is amended by inserting after section 179F the fol-  
6 lowing new section:

7 **“SEC. 179G. ELECTION TO EXPENSE CERTAIN OIL SHALE**  
8 **EXTRACTION AND PROCESSING PROPERTY.**

9           “(a) **TREATMENT AS EXPENSES.**—A taxpayer may  
10 elect to treat the cost of any qualified oil shale extraction  
11 and processing property as an expense which is not  
12 chargeable to capital account. Any cost so treated shall  
13 be allowed as a deduction for the taxable year in which  
14 the expense is incurred.

15          “(b) **ELECTION.**—

16           “(1) **IN GENERAL.**—An election under this sec-  
17 tion for any taxable year shall be made on the tax-  
18 payer’s return of the tax imposed by this chapter for  
19 the taxable year. Such election shall be made in such  
20 manner as the Secretary may by regulations pre-  
21 scribe.

22           “(2) **ELECTION IRREVOCABLE.**—Any election  
23 made under this section may not be revoked except  
24 with the consent of the Secretary.

1       “(c) QUALIFIED OIL SHALE EXTRACTION AND PROC-  
2       ESSING PROPERTY.—For purposes of this section—

3               “(1) The term ‘qualified oil shale extraction  
4       and processing property’ means any property located  
5       in the United States—

6                       “(A) the original use of which commences  
7       with the taxpayer and which original use is  
8       solely to extract or process oil shale, and

9                       “(B) which is placed in service by the tax-  
10       payer after the date of the enactment of this  
11       section and before January 1, 2019.

12       “(d) ELECTION TO ALLOCATE DEDUCTION TO COOP-  
13       ERATIVE OWNER.—If—

14               “(1) a taxpayer to which subsection (a) applies  
15       is an organization to which part I of subchapter T  
16       applies, and

17               “(2) one or more persons directly holding an  
18       ownership interest in the taxpayer are organizations  
19       to which part I of subchapter T apply,

20       the taxpayer may elect to allocate all or a portion of the  
21       deduction allowable under subsection (a) to such persons.

22       Such allocation shall be equal to the person’s ratable share  
23       of the total amount allocated, determined on the basis of  
24       the person’s ownership interest in the taxpayer. The tax-  
25       able income of the taxpayer shall not be reduced under

1 section 1382 by reason of any amount to which the pre-  
2 ceding sentence applies.

3 “(e) BASIS REDUCTION.—

4 “(1) IN GENERAL.—For purposes of this title,  
5 if a deduction is allowed under this section with re-  
6 spect to any qualified oil shale extraction and proc-  
7 essing property, the basis of such property shall be  
8 reduced by the amount of the deduction so allowed.

9 “(2) ORDINARY INCOME RECAPTURE.—For  
10 purposes of section 1245, the amount of the deduc-  
11 tion allowable under subsection (a) with respect to  
12 any property which is of a character subject to the  
13 allowance for depreciation shall be treated as a de-  
14 duction allowed for depreciation under section 167.

15 “(f) APPLICATION WITH OTHER DEDUCTIONS AND  
16 CREDITS.—

17 “(1) OTHER DEDUCTIONS.—No deduction shall  
18 be allowed under any other provision of this chapter  
19 with respect to any expenditure with respect to  
20 which a deduction is allowed under subsection (a) to  
21 the taxpayer.

22 “(2) CREDITS.—No credit shall be allowed  
23 under section 38 with respect to any amount for  
24 which a deduction is allowed under subsection (a).

1       “(g) REPORTING.—No deduction shall be allowed  
2 under subsection (a) to any taxpayer for any taxable year  
3 unless such taxpayer files with the Secretary a report con-  
4 taining such information with respect to the operation of  
5 the property of the taxpayer as the Secretary shall re-  
6 quire.”.

7       (c) CONFORMING AMENDMENTS.—

8           (1) Section 1016(a) is amended by striking  
9 “and” at the end of paragraph (37), by striking the  
10 period at the end of paragraph (38) and inserting “,  
11 and”, and by adding at the end the following new  
12 paragraph:

13           “(39) to the extent provided in section  
14 179F(e)(1).”.

15           (2) Section 1245(a) is amended by inserting  
16 “179F,” after “179E,” both places it appears in  
17 paragraphs (2)(C) and (3)(C).

18           (3) Section 263(a)(1) is amended by striking  
19 “or” at the end of subparagraph (K), by striking the  
20 period at the end of subparagraph (L) and inserting  
21 “, or”, and by inserting after subparagraph (L) the  
22 following new subparagraph:

23           “(M) expenditures for which a deduction is  
24 allowed under section 179F.”.



1           (4) Section 312(k)(3)(B) is amended by strik-  
 2           ing “or 179E” each place it appears in the heading  
 3           and text and inserting “179E, or 179F”.

4           (5) The table of sections for part VI of sub-  
 5           chapter B of chapter 1 is amended by inserting after  
 6           the item relating to section 179F the following new  
 7           item:

“Sec. 179F. Election to expense certain oil shale extraction and processing  
 property.”.

8           (d) EFFECTIVE DATE.—The amendments made by  
 9           this section shall apply to properties placed in service after  
 10          the date of the enactment of this Act.

## 11   **TITLE VI—PROVISIONS RELAT-** 12       **ING TO ADVANCED COAL AND** 13       **NUCLEAR ENERGY**

### 14   **SEC. 601. ALTERNATIVE METHOD FOR SATISFYING CER-** 15               **TAIN REQUIREMENTS RELATING TO PRODUC-** 16               **TION OF REFINED COAL.**

17          (a) IN GENERAL.—Subparagraph (A) of section  
 18          45(c)(7) is amended by inserting “and” at the end of  
 19          clause (ii) and by amending clause (iii) to read as follows:

20                       “(iii)(I) is certified by the taxpayer as  
 21                       resulting (when used in the production of  
 22                       steam) in a qualified emission reduction  
 23                       and is produced in such a manner as to re-  
 24                       sult in an increase of at least 50 percent

1 in the market value of the refined coal (ex-  
2 cluding any increase caused by materials  
3 combined or added during the production  
4 process), as compared to the value of feed-  
5 stock coal, or

6 “(II) is certified by the taxpayer as  
7 resulting (when used in the production of  
8 steam) in a double emission reduction.”.

9 (b) DOUBLE EMISSION REDUCTION.—Paragraph (7)  
10 of section 45(c) is amended by adding at the end the fol-  
11 lowing new subparagraph:

12 “(C) DOUBLE EMISSION REDUCTION.—The  
13 term ‘double emission reduction’ means an ag-  
14 gregate reduction totaling at least 80 percent of  
15 the sum of the individual emission reductions of  
16 nitrogen oxide, sulfur dioxide and mercury re-  
17 leased when burning the refined coal (excluding  
18 any dilution caused by materials combined or  
19 added during the production process), as com-  
20 pared to the emissions released when burning  
21 the feedstock coal or comparable coal predomi-  
22 nantly available in the marketplace as of Janu-  
23 ary 1, 2003.”.

1 (c) EFFECTIVE DATE.—The amendments made by  
 2 this section shall apply to facilities placed in service after  
 3 June 11, 2007.

4 **SEC. 602. ADVANCED NUCLEAR POWER PRODUCTION.**

5 (a) INCREASE IN RATE.—Section 45J(a)(1) is  
 6 amended by striking “1.8 cents” and inserting “2.25  
 7 cents”.

8 (b) INCREASE IN NATIONAL LIMITATION.—Section  
 9 45J(b)(2) is amended by striking “6,000 megawatts” and  
 10 inserting “12,000 megawatts”.

11 (c) INCREASE IN ANNUAL LIMITATION.—Section  
 12 45J(c)(1) is amended by striking “\$125,000,000” and in-  
 13 serting “\$160,000,000”.

14 (d) EXTENSION OF PLACED IN SERVICE DATE.—  
 15 Section 45J(d)(1)(B) is amended by striking “January 1,  
 16 2021” and inserting “January 1, 2041”.

17 (e) EFFECTIVE DATE.—The amendments made by  
 18 this section shall apply to taxable years beginning after  
 19 the date of the enactment of this Act.

20 **TITLE VII—COAL TO LIQUIDS**  
 21 **TECHNOLOGY**

22 **SEC. 701. CREDIT FOR INVESTMENT IN COAL-TO-LIQUID**  
 23 **FUELS PROJECTS.**

24 (a) IN GENERAL.—Section 46 (relating to amount of  
 25 credit) is amended by striking “and” at the end of para-

1 graph (3), by striking the period at the end of paragraph  
 2 (4) and inserting “, and”, and by adding at the end the  
 3 following new paragraph:

4 “(5) the qualifying coal-to-liquid fuels project  
 5 credit.”.

6 (b) AMOUNT OF CREDIT.—Subpart E of part IV of  
 7 subchapter A of chapter 1 (relating to rules for computing  
 8 investment credit) is amended by inserting after section  
 9 48D the following new section:

10 **“SEC. 48E. QUALIFYING COAL-TO-LIQUID FUELS PROJECT**  
 11 **CREDIT.**

12 “(a) IN GENERAL.—For purposes of section 46, the  
 13 qualifying coal-to-liquid fuels project credit for any taxable  
 14 year is an amount equal to 20 percent of the qualified  
 15 investment for such taxable year.

16 “(b) QUALIFIED INVESTMENT.—

17 “(1) IN GENERAL.—For purposes of subsection  
 18 (a), the qualified investment for any taxable year is  
 19 the basis of property placed in service by the tax-  
 20 payer during such taxable year which is part of a  
 21 qualifying coal-to-liquid fuels project—

22 “(A)(i) the construction, reconstruction, or  
 23 erection of which is completed by the taxpayer,  
 24 or

1           “(ii) which is acquired by the taxpayer if  
2           the original use of such property commences  
3           with the taxpayer, and

4           “(B) with respect to which depreciation (or  
5           amortization in lieu of depreciation) is allow-  
6           able.

7           “(2) APPLICABLE RULES.—For purposes of this  
8           section, rules similar to the rules of subsection  
9           (a)(4) and (b) of section 48 shall apply.

10          “(c) DEFINITIONS.—For purposes of this section—

11           “(1) QUALIFYING COAL-TO-LIQUID FUELS  
12           PROJECT.—The term ‘qualifying coal-to-liquid fuels  
13           project’ means any domestic project which—

14           “(A) employs the class of reactions known  
15           as Fischer-Tropsch to produce at least 10,000  
16           barrels per day of transportation grade liquid  
17           fuels from a feedstock that is primarily domes-  
18           tic coal (including any property which allows for  
19           the capture, transportation, or sequestration of  
20           by-products resulting from such process, includ-  
21           ing carbon emissions), and

22           “(B) any portion of the qualified invest-  
23           ment in which is certified under the qualifying  
24           coal-to-liquid program as eligible for credit

1           under this section in an amount (not to exceed  
2           \$200,000,000) determined by the Secretary.

3           “(2) COAL.—The term ‘coal’ means any carbon-  
4           ized or semicarbonized matter, including peat.

5           “(d) QUALIFYING COAL-TO-LIQUID FUELS PROJECT  
6 PROGRAM.—

7           “(1) IN GENERAL.—The Secretary, in consulta-  
8           tion with the Secretary of Energy, shall establish a  
9           qualifying coal-to-liquid fuels project program to  
10          consider and award certifications for qualified in-  
11          vestment eligible for credits under this section to 10  
12          qualifying coal-to-liquid fuels project sponsors under  
13          this section. The total qualified investment which  
14          may be awarded eligibility for credit under the pro-  
15          gram shall not exceed \$2,000,000,000.

16          “(2) PERIOD OF ISSUANCE.—A certificate of  
17          eligibility under paragraph (1) may be issued only  
18          during the 10-fiscal year period beginning on Octo-  
19          ber 1, 2007.

20          “(3) SELECTION CRITERIA.—The Secretary  
21          shall not make a competitive certification award for  
22          qualified investment for credit eligibility under this  
23          section unless the recipient has documented to the  
24          satisfaction of the Secretary that—

1           “(A) the proposal of the award recipient is  
2 financially viable,

3           “(B) the recipient will provide sufficient  
4 information to the Secretary for the Secretary  
5 to ensure that the qualified investment is spent  
6 efficiently and effectively,

7           “(C) the fuels identified with respect to the  
8 gasification technology for such project will  
9 comprise at least 90 percent of the fuels re-  
10 quired by the project for the production of  
11 transportation grade liquid fuels,

12           “(D) the award recipient’s project team is  
13 competent in the planning and construction of  
14 coal gasification facilities and familiar with op-  
15 eration of the Fischer-Tropsch process, with  
16 preference given to those recipients with experi-  
17 ence which demonstrates successful and reliable  
18 operations of such process, and

19           “(E) the award recipient has met other cri-  
20 teria established and published by the Sec-  
21 retary.

22           “(e) DENIAL OF DOUBLE BENEFIT.—No deduction  
23 or other credit shall be allowed with respect to the basis  
24 of any property taken into account in determining the  
25 credit allowed under this section.”.

1 (c) CONFORMING AMENDMENTS.—

2 (1) Section 49(a)(1)(C) is amended by striking  
3 “and” at the end of clause (v), by striking the pe-  
4 riod at the end of clause (vi) and inserting “, and”,  
5 and by adding after clause (vi) the following new  
6 clause:

7 “(vii) the basis of any property which  
8 is part of a qualifying coal-to-liquid fuels  
9 project under section 48E.”.

10 (2) The table of sections for subpart E of part  
11 IV of subchapter A of chapter 1 is amended by in-  
12 serting after the item relating to section 48D the  
13 following new item:

“Sec. 48E. Qualifying coal-to-liquid fuels project credit.”.

14 (d) EFFECTIVE DATE.—The amendments made by  
15 this section shall apply to periods after the date of the  
16 enactment of this Act, under rules similar to the rules of  
17 section 48(m) of the Internal Revenue Code of 1986 (as  
18 in effect on the day before the date of the enactment of  
19 the Revenue Reconciliation Act of 1990).

20 **SEC. 702. TEMPORARY EXPENSING FOR EQUIPMENT USED**  
21 **IN COAL-TO-LIQUID FUELS PROCESS.**

22 (a) IN GENERAL.—Part VI of subchapter B of chap-  
23 ter 1 is amended by inserting after section 179F the fol-  
24 lowing new section:



1 **“SEC. 179G. ELECTION TO EXPENSE CERTAIN COAL-TO-LIQUID**  
2 **FUELS FACILITIES.**

3 “(a) TREATMENT AS EXPENSES.—A taxpayer may  
4 elect to treat the cost of any qualified coal-to-liquid fuels  
5 process property as an expense which is not chargeable  
6 to capital account. Any cost so treated shall be allowed  
7 as a deduction for the taxable year in which the expense  
8 is incurred.

9 “(b) ELECTION.—

10 “(1) IN GENERAL.—An election under this sec-  
11 tion for any taxable year shall be made on the tax-  
12 payer’s return of the tax imposed by this chapter for  
13 the taxable year. Such election shall be made in such  
14 manner as the Secretary may by regulations pre-  
15 scribe.

16 “(2) ELECTION IRREVOCABLE.—Any election  
17 made under this section may not be revoked except  
18 with the consent of the Secretary.

19 “(c) QUALIFIED COAL-TO-LIQUID FUELS PROCESS  
20 PROPERTY.—The term ‘qualified coal-to-liquid fuels proc-  
21 ess property’ means any property located in the United  
22 States—

23 “(1) which employs the Fischer-Tropsch process  
24 to produce transportation grade liquid fuels from a  
25 feedstock that is primarily domestic coal (including  
26 any property which allows for the capture, transpor-

1       tation, or sequestration of by-products resulting  
2       from such process, including carbon emissions),

3               “(2) the original use of which commences with  
4       the taxpayer,

5               “(3) the construction of which—

6                       “(A) except as provided in subparagraph  
7                       (B), is subject to a binding construction con-  
8                       tract entered into after the date of the enact-  
9                       ment of this section and before January 1,  
10                      2011, but only if there was no written binding  
11                      construction contract entered into on or before  
12                      such date of enactment, or

13                     “(B) in the case of self-constructed prop-  
14                     erty, began after the date of the enactment of  
15                     this section and before January 1, 2011, and

16               “(4) which is placed in service by the taxpayer  
17       after the date of the enactment of this section and  
18       before January 1, 2016.

19       “(d) ELECTION TO ALLOCATE DEDUCTION TO COOP-  
20       ERATIVE OWNER.—If—

21               “(1) a taxpayer to which subsection (a) applies  
22       is an organization to which part I of subchapter T  
23       applies, and

1           “(2) one or more persons directly holding an  
2           ownership interest in the taxpayer are organizations  
3           to which part I of subchapter T apply,  
4           the taxpayer may elect to allocate all or a portion of the  
5           deduction allowable under subsection (a) to such persons.  
6           Such allocation shall be equal to the person’s ratable share  
7           of the total amount allocated, determined on the basis of  
8           the person’s ownership interest in the taxpayer. The tax-  
9           able income of the taxpayer shall not be reduced under  
10          section 1382 by reason of any amount to which the pre-  
11          ceding sentence applies.

12          “(e) BASIS REDUCTION.—

13               “(1) IN GENERAL.—For purposes of this title,  
14               if a deduction is allowed under this section with re-  
15               spect to any qualified coal-to-liquid fuels process  
16               property, the basis of such property shall be reduced  
17               by the amount of the deduction so allowed.

18               “(2) ORDINARY INCOME RECAPTURE.—For  
19               purposes of section 1245, the amount of the deduc-  
20               tion allowable under subsection (a) with respect to  
21               any property which is of a character subject to the  
22               allowance for depreciation shall be treated as a de-  
23               duction allowed for depreciation under section 167.

24          “(f) APPLICATION WITH OTHER DEDUCTIONS AND  
25          CREDITS.—

1           “(1) OTHER DEDUCTIONS.—No deduction shall  
2       be allowed under any other provision of this chapter  
3       with respect to any expenditure with respect to  
4       which a deduction is allowed under subsection (a) to  
5       the taxpayer.

6           “(2) CREDITS.—No credit shall be allowed  
7       under section 38 with respect to any amount for  
8       which a deduction is allowed under subsection (a).

9           “(g) REPORTING.—No deduction shall be allowed  
10      under subsection (a) to any taxpayer for any taxable year  
11      unless such taxpayer files with the Secretary a report con-  
12      taining such information with respect to the operation of  
13      the property of the taxpayer as the Secretary shall re-  
14      quire.”.

15       (b) CONFORMING AMENDMENTS.—

16           (1) Section 1016(a) is amended by striking  
17       “and” at the end of paragraph (38), by striking the  
18       period at the end of paragraph (39) and inserting “,  
19       and”, and by adding at the end the following new  
20       paragraph:

21           “(40) to the extent provided in section  
22       179G(e)(1).”.

23           (2) Section 1245(a) is amended by inserting  
24       “179G,” after “179F,” both places it appears in  
25       paragraphs (2)(C) and (3)(C).

1           (3) Section 263(a)(1) is amended by striking  
 2           “or” at the end of subparagraph (L), by striking the  
 3           period at the end of subparagraph (M) and inserting  
 4           “, or”, and by inserting after subparagraph (M) the  
 5           following new subparagraph:

6                       “(N) expenditures for which a deduction is  
 7                       allowed under section 179G.”.

8           (4) Section 312(k)(3)(B) is amended by strik-  
 9           ing “or 179G” each place it appears in the heading  
 10          and text and inserting “179F, or 179G”.

11          (5) The table of sections for part VI of sub-  
 12          chapter B of chapter 1 is amended by inserting after  
 13          the item relating to section 179F the following new  
 14          item:

“Sec. 179G. Election to expense certain coal-to-liquid fuels facilities.”.

15          (c) EFFECTIVE DATE.—The amendments made by  
 16          this section shall apply to properties placed in service after  
 17          the date of the enactment of this Act.

18   **SEC. 703. EXTENSION OF ALTERNATIVE FUEL CREDIT FOR**  
 19                       **FUEL DERIVED FROM COAL THROUGH THE**  
 20                       **FISCHER-TROPSCH PROCESS.**

21          (a) ALTERNATIVE FUEL CREDIT.—Paragraph (4) of  
 22          section 6426(d) is amended to read as follows:

23                       “(4) TERMINATION.—This subsection shall not  
 24                       apply to—

1           “(A) any sale or use involving liquid fuel  
2           derived from a feedstock that is primarily do-  
3           mestic coal (including peat) through the Fisch-  
4           er-Tropsch process for any period after Sep-  
5           tember 30, 2020,

6           “(B) any sale or use involving liquified hy-  
7           drogen for any period after September 30,  
8           2014, and

9           “(C) any other sale or use for any period  
10          after September 30, 2009.”.

11       (b) PAYMENTS.—

12           (1) IN GENERAL.—Paragraph (5) of section  
13           6427(e) is amended by striking “and” and the end  
14           of subparagraph (C), by striking the period at the  
15           end of subparagraph (D) and inserting “, and”, and  
16           by adding at the end the following new subpara-  
17           graph:

18           “(E) any alternative fuel or alternative fuel  
19           mixture (as so defined) involving liquid fuel de-  
20           rived from coal (including peat) through the  
21           Fischer-Tropsch process sold or used after Sep-  
22           tember 30, 2020.”.

23           (2) CONFORMING AMENDMENT.—Section  
24           6427(e)(5)(C) is amended by striking “subpara-

graph (D)” and inserting “subparagraphs (D) and (E)”.

**SEC. 704. MODIFICATIONS TO ENHANCED OIL RECOVERY CREDIT.**

(a) ENHANCED CREDIT FOR CARBON DIOXIDE INJECTIONS.—Section 43 is amended by adding at the end the following new subsection:

“(f) ENHANCED CREDIT FOR PROJECTS USING QUALIFIED CARBON DIOXIDE.—

“(1) IN GENERAL.—For purposes of this section—

“(A) the term ‘qualified project’ includes a project described in paragraph (2), and

“(B) in the case of a project described in paragraph (2), subsection (a) shall be applied by substituting ‘50 percent’ for ‘15 percent’.

“(2) PROJECTS DESCRIBED.—A project is described in this paragraph if it begins or is substantially expanded after December 31, 2007, and

“(A) uses qualified carbon dioxide in an enhanced oil, natural gas, or coalbed methane recovery method, which involves flooding or injection, or

“(B) enables the capture or sequestration of qualified carbon dioxide.

1           “(3) DEFINITIONS.—For purposes of this sub-  
2       section—

3           “(A) ENHANCED OIL RECOVERY.—The  
4       term ‘enhanced oil recovery’ means recovery of  
5       oil by injecting or flooding with qualified carbon  
6       dioxide.

7           “(B) ENHANCED NATURAL GAS RECOV-  
8       ERY.—The term ‘enhanced natural gas recov-  
9       ery’ means recovery of natural gas by injecting  
10      or flooding with qualified carbon dioxide.

11          “(C) ENHANCED COALBED METHANE RE-  
12      COVERY.—The term ‘enhanced coalbed methane  
13      recovery’ means recovery of coalbed methane by  
14      injecting or flooding with qualified carbon diox-  
15      ide.

16          “(D) QUALIFIED CARBON DIOXIDE.—The  
17      term ‘qualified carbon dioxide’ means carbon di-  
18      oxide which is produced from the gasification  
19      and subsequent refinement of a feedstock which  
20      is primarily domestic coal, at a facility which  
21      produces coal-to-liquid fuel.

22          “(E) CAPTURE OR SEQUESTRATION.—The  
23      term ‘capture or sequestration’ means any  
24      equipment or facility necessary to—



1 “(i) capture or separate qualified car-  
2 bon dioxide from other emissions,

3 “(ii) transport qualified carbon diox-  
4 ide, or

5 “(iii) process and use qualified carbon  
6 dioxide in a qualified project.

7 “(4) TERMINATION.—This subsection shall not  
8 apply to costs paid or incurred for any qualified  
9 project after December 31, 2020.”.

10 (b) CONFORMING AMENDMENTS.—

11 (1) Section 43 is amended—

12 (A) by striking “enhanced oil recovery  
13 credit” in subsection (a) and inserting “en-  
14 hanced oil, natural gas, and coalbed methane  
15 recovery, and capture and sequestration credit”,

16 (B) by striking “qualified enhanced oil re-  
17 covery costs” each place it appears and insert-  
18 ing “qualified costs”,

19 (C) by striking “qualified enhanced oil re-  
20 covery project” each place it appears and in-  
21 serting “qualified project”, and

22 (D) by striking the heading and inserting:

1 **“SEC. 43. ENHANCED OIL, NATURAL GAS, AND COALBED**  
 2 **METHANE RECOVERY, AND CAPTURE AND SE-**  
 3 **QUESTRATION CREDIT.”.**

4 (2) The item in the table of sections for subpart  
 5 D of part IV of subchapter A of chapter 1 relating  
 6 to section 43 is amended to read as follows:

“Sec. 43. Enhanced oil, natural gas, and coalbed methane recovery, and cap-  
 ture and sequestration credit.”.

7 (c) **EFFECTIVE DATE.**—The amendments made by  
 8 this section shall apply to costs paid or incurred in taxable  
 9 years ending after December 31, 2007.

10 **SEC. 705. ALLOWANCE OF ENHANCED OIL, NATURAL GAS,**  
 11 **AND COALBED METHANE RECOVERY, AND**  
 12 **CAPTURE AND SEQUESTRATION CREDIT**  
 13 **AGAINST THE ALTERNATIVE MINIMUM TAX.**

14 (a) **IN GENERAL.**—Subsection (c) of section 38 (re-  
 15 lating to limitation based on amount of tax) is amended  
 16 by redesignating paragraphs (4) and (5) as paragraphs  
 17 (5) and (6), respectively, and by inserting after paragraph  
 18 (3) the following new paragraph:

19 “(4) **SPECIAL RULES FOR ENHANCED OIL, NAT-**  
 20 **URAL GAS, AND COALBED METHANE RECOVERY, AND**  
 21 **CAPTURE AND SEQUESTRATION CREDIT.**—In the  
 22 case of the enhanced oil, natural gas, and coalbed  
 23 methane recovery, and capture and sequestration  
 24 credit determined under section 43—

1           “(A) this section and section 39 shall be  
2           applied separately with respect to such credit,  
3           and

4           “(B) in applying paragraph (1) to such  
5           credit—

6                   “(i) the tentative minimum tax shall  
7                   be treated as being zero, and

8                   “(ii) the limitation under paragraph  
9                   (1) (as modified by clause (i)) shall be re-  
10                  duced by the credit allowed under sub-  
11                  section (a) for the taxable year (other than  
12                  the enhanced oil, natural gas, and coalbed  
13                  methane recovery, and capture and seques-  
14                  tration credit and the specified credits).”.

15       (b) CONFORMING AMENDMENTS.—

16           (1) Section 38(c)(2)(A)(ii)(II) is amended by  
17           inserting “the enhanced oil, natural gas, and coalbed  
18           methane recovery, and capture and sequestration  
19           credit,” after “employee credit,”.

20           (2) Section 38(c)(3)(A)(ii)(II) is amended by  
21           inserting “, the enhanced oil, natural gas, coalbed  
22           methane recovery, capture and sequestration credit,”  
23           after “employee credit”.

1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years ending after De-  
3 cember 31, 2007.

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